

**MINUTES OF A MEETING  
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION  
BOARD OF DIRECTORS**

**May 16, 2018**

**Opening of Meeting:**

1. A regular meeting of the Board of Directors, Kentucky Workers' Compensation Funding Commission was held on May 16, 2018, in the Commission's conference room, located at 42 Mill Creek Park, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order.
2. Ms. Angela Calloway announced the meeting will be recorded in accordance with Kentucky Revised Statute 61.835.
3. Madam Chair Long verified the press notice and asked for roll call.

**Directors Present:**

4. Judy Long, Self-Insured Employers Representative  
Derrick Ramsey, Secretary, Labor Cabinet  
Duran Hall, Commercially Insured Employers  
Ryan Barrow, Designee for Secretary William Landrum, Finance & Administration Cabinet  
Michelle Landers, Insurance Representative, Kentucky Employers' Mutual Insurance  
Stephanie Rich, Designee for Secretary Terry R. Gill, Jr., Cabinet for Economic Development

**Others Present:**

5. Reuben Jones, Executive Director, KWCFC  
Louie Hord, Director, Fiscal Operations, KWCFC  
Lisa King, Director, Audit and Collections, KWCFC  
Olivia Orrender, Audit Review Manager, KWCFC  
Angela Calloway, Fiscal Services Officer, KWCFC  
Ryan Robinson, Administrative Services Officer, KWCFC  
Michael Swansburg, General Counsel, Labor Cabinet  
Brooken Smith, Chief of Staff, Labor Cabinet  
Ervin Dimeny, Commissioner, Department of Workplace Standards  
Robert Swisher, Commissioner, Department of Workers' Claims  
Kim Bechtel, Office of Financial Management  
Marian Johnson, Director, Special Fund  
Charlie Donovan, Special Fund  
Diane May, Kentucky Employers' Mutual Insurance  
Prentice Harvey, Government Strategies

### **Approval of Minutes:**

6. Mr. Duran Hall made a motion to approve the March 28, 2018 Regular Meeting Minutes. Ms. Stephanie Rich seconded the motion. Motion carried.

### **Coal Workers' Pneumoconiosis Fund Liability Update (report on file for referral):**

7. Ms. Diana May presented and reviewed the Cash Basis Accounting report and Schedule of Kentucky Coal Workers' Pneumoconiosis Fund Claims as April 30, 2018.
8. Madam Chair Long asked for questions and thanked Ms. May for her presentation.

### **KWCFC Updates:**

9. Mr. Reuben Jones updated the Board on four areas the Commission are working on. These areas include the Apprenticeship program, Internships, Statutory Updates and Regulatory Updates.
10. Mr. Ervin Dimeny spoke briefly and thanked Mr. Jones for his support of the Apprenticeship program. He stated the program provides the employer the opportunity to drive the training. He further explained in many instances the employee would have various educational degrees but not the proper skills. This program will give the employer the opportunity to design the framework for their organization.

### **Financial Report:** Louie Hord (report on file for referral)

11. Mr. Louie Hord reviewed the year to date budget versus actual expenses for KWCFC, the year to date internal financial statements, and fiscal year to date interagency transfers made by KWCFC for the period ending April 30, 2018.
12. Ms. Stephanie Rich made the motion to accept the Financial Reports as presented to the Board. Mr. Duran Hall seconded the motion. Motion carried.

### **Investment Report:** Kim Bechtel (report on file for referral)

13. Ms. Kim Bechtel reviewed the Investment Positions/Strategies report as of April 30, 2018. She reported the total value of all funds is approximately \$522M, which is a decrease of \$31.5M since the February 2018 numbers as reported at the March 2018 Board meeting. The Special Fund was the largest contributor to the decrease in total. She explained the decrease in the Special Fund from \$536M as of February 2018 to \$508M as of April 2018 was mostly due to a \$25.8M decrease in the balance of the securities out on loan in the Securities Lending Program.
14. Ms. Bechtel noted there was a decrease by approximately \$2.5M on the Coal Workers' Pneumoconiosis (CWP) Fund compared to the report at the end of

February 2018. This decrease was due to the quarterly transfer to KEMI. There was not a significant change to the balance of the Self-Insurance Fund.

15. Ms. Bechtel reported on the Actuarial Projections versus Actual Results and the Securities Lending Results.
16. Ms. Bechtel reviewed the Securities Lending Results and explained the utilization rate has decreased to around 80% and the income from that is approximately \$28K per month.
17. Mr. Duran Hall asked if there was a timing, rate or marketing issue with the Securities Lending Program as to why the money is not being loaned out. Ms. Bechtel answered Deutsche Bank tries their best to lend those treasuries out and that sometimes it is market driven. Mr. Ryan Barrow said he believes it is all of the above. He stated as the asset portfolio shrinks it is harder to lend out, adding larger portfolios are easier to lend.
18. Secretary Derrick Ramsey asked in terms of indemnification, why the state is not doing the same thing across the board and if there are particular rules that are followed to advance it.
19. Mr. Barrow responded the Office of Financial Management (OFM) monitors collateral postings and they were comfortable with the risk at the state level. He added they could remove the indemnity but ultimately that is assurance at the credit level of Deutsche Bank that they will make good on any losses in the program. It is designed to provide additional yield without risk. He added OFM has had those conversations with prior management but with the investment strategy changing it will be best to wait for the direction of the new investment manager.
20. Ms. Stephanie Rich asked what is the cost of indemnification. Mr. Barrow answered he was not sure about the cost but it affects the utilization rate.
21. Ms. Bechtel continued with the Monthly Cash Projections report and stated nothing has really changed and they recommend staying with the Money Market Fund which is currently at 192 bases points, which reflects the rate increase that happened in March.
22. Mr. Duran Hall made the motion to accept the Investment Report as reported to the Board. Secretary Derrick Ramsey seconded the motion. Motion carried.

**Audit & Collections Update:** Lisa King (report on file for referral)

23. Ms. Lisa King presented the Audit Program Statistics report. Her report covered the 2017 audit cycle, and provided an update on the number of audits for 2015-2016 audit years.

24. Secretary Derrick Ramsey made the motion to accept the Audit and Collections update as presented. Mr. Duran Hall seconded the motion. Motion carried.

**Contract Update:** Louie Hord

25. Mr. Louie Hord updated the board on contracts in review at this time. The financial audit is being renewed with Blue & Co. LLC for the 2018 fiscal year financial statements for a price of \$19,710.00. The increase of \$2,200 is mainly due to the increase in scope of work related to new effective accounting standards.

26. The actuary study is being renewed with Actuarial & Technical Solutions for an additional 2-year period at a total contract price of \$ 117,000.00. The update on the partial study for the Special Fund, and a full study of the Coal Fund for July 1, 2018 – June 30, 2019, is \$25,000.00. The contract price for the full study of the Special Fund and the Coal Fund, from July 1, 2019 – June 30, 2020, will be \$ 92,000.00.

27. Mr. Hord reported legal counsel for the Commission is currently working to finalize the investment contract.

28. All contracts are expected to be effective July 1, 2018.

**Executive Session:**

29. Madam Chair Long asked for a motion to go into Executive Session under KRS 61.810 (1) (c), (f) and (j) to discuss litigation, personnel, and penalty waivers.

30. Mr. Duran Hall made the motion to go into Executive Session. Ms. Stephanie Rich seconded the motion. Motion carried.

**Open Session:**

31. Secretary Derrick Ramsey made the motion to return to open session. Ms. Stephanie Rich seconded the motion. Motion carried.

**Other Business:**

**Penalty Waivers**

32. Mr. Duran Hall made a motion to waive penalty in full for the late filing of Star Insurance Company's 4<sup>th</sup> quarter 2017 quarterly premiums report on a one-time

only basis, and on the condition the interest of \$2.35 be paid within ten business days. This constitutes a final ruling. Mr. Ryan Barrow seconded the motion. Motion carried.

33. Mr. Duran Hall made a motion to deny penalty in full for the late filing of JRL Coal's 4<sup>th</sup> quarter 2017 quarterly premiums report. This constitutes a final ruling. Mr. Ryan Barrow seconded the motion. Motion carried.

34. Mr. Duran Hall made a motion to grant full authority to the Executive Director to administer, manage, and direct all affairs, including all personnel matters, on behalf of the Board of Directors of the Funding Commission, unless otherwise specifically directed by the Board of Directors. Secretary Derrick Ramsey seconded the motion. Motion carried.

35. Mr. Ryan Barrow made a motion to issue a final ruling for the Travelers' 2013-2014 audit as issued on April 11, 2018. This final action is appealable to the Kentucky Claims Commission. Mr. Duran Hall recused himself from the vote. Ms. Stephanie Rich seconded the motion.

#### Litigation Update

36. Mr. Reuben Jones provided an update concerning AIG and Travelers' litigation. The case will be heard in August 2018. Additionally, the Commission is entering litigation with BrickStreet concerning their audit and are currently pursuing action with the Appeals Court.

#### Personnel

37. Mr. Reuben Jones introduced Ryan "Hunter" Robinson to the Board and welcomed him to the Commission.

#### Goldberg Simpson Funding Update

38. Mr. Reuben Jones reported there is a balance of approximately \$4,828 remaining for AIG/Travelers' appeal litigation.

#### Audit Management Tool Update

39. Ms. Lisa King reported the Commission did not receive any responses to the RFP and are waiting for the RFP to be reissued by COT.

**New Business:**

40. Mr. Reuben Jones presented meeting dates for the 2018-2019 fiscal year calendar. Mr. Jones proposed the Board stay with the current policy of meeting on the 4<sup>th</sup> Wednesday of alternating months.

41. Proposed meeting dates are:

July 25, 2018  
September 26, 2018  
November 28, 2018  
January 23, 2019  
March 27, 2019  
May 22, 2019

42. Secretary Derrick Ramsey made a motion to accept the proposed meeting dates. Mr. Ryan Barrow seconded the motion. Motion carried.

**Adjournment:**

43. Mr. Duran Hall made a motion to adjourn. Mr. Ryan Barrow seconded the motion. Motion carried.

  
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Chairman of the Board